

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

BATTLE CREEK HOUSING COMMISSION

Financial Statements

September 30, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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BATTLE CREEK HOUSING COMMISSION
BATTLE CREEK, Michigan
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2005

The management of the Battle Creek Housing Commission (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended September 30, 2005. The goal is for the reader to better understand the Commission's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Commission has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Commission's financial statements.

FINANCIAL HIGHLIGHTS:

The assets of the PHA exceed its liabilities as of September 30, 2005 by \$18,309,111 (Net Assets.) The PHA's investment in Capital Assets - net of related debt as of September 30, 2005 was \$12,455,386. The PHA's total revenue, not including loss from sale of assets, for the year ending September 30, 2005 was \$5,066,050. The PHA's total expenses from operations, not including expenses from other sources, for the year ending September 30, 2005 were \$2,392,504. Therefore, the PHA's total combined revenue exceeds total combined expenses by \$2,673,546. However, the PHA's total loss for the year ending September 20, 2005 from all sources is (\$36,405).

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

Statement of Net Assets - reports the Commissions current financial resources; its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the PHA.

Combining Balance Sheet and Income Statement - reports the Asset, Liabilities, Income and Expenses broken down into the various projects and/or funds of the Commission.

ANALYSIS OF FINANCIAL STATEMENTS:**STATEMENT OF NET ASSETS**

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
Cash and investments	\$ 6,756,208.	\$ 6,047,725.	\$ 708,483
Other Current Assets	58,932	56,891	2,041
Accounts/Notes Receivable	78,791	118,794	(40,003)
Non-Current/Capital Assets	<u>13,520,729</u>	<u>13,921,541</u>	<u>(400,812)</u>
TOTAL ASSETS	<u>\$20,414,660</u>	<u>\$20,144,951</u>	<u>\$269,709</u>
Current Liabilities	\$ 732,707	\$ 352,948	\$ 379,759
Non-Current Liabilities	<u>1,372,842</u>	<u>1,448,350</u>	<u>(75,508)</u>
TOTAL LIABILITIES	<u>\$2,105,549</u>	<u>\$1,801,298</u>	<u>\$ 304,251</u>
Invested in capital assets	\$12,455,386	\$13,842,213	\$ (1,386,827)
Unrestricted Net Assets	4,515,516	3,511,035	1,004,481
Restricted Net Assets	<u>1,338,209</u>	<u>990,405</u>	<u>347,804</u>
TOTAL NET ASSETS	<u>\$18,309,111</u>	<u>\$18,343,653</u>	<u>\$ (34,542)</u>

The increase in cash and investments is due to the following: In the low rent program there was a substantial increase in Unrestricted Net Assets (formerly Retained Earnings) and in Restricted Net Assets (Proceeds of sale - Turnkey III properties). Three Turnkey III units were sold during the fiscal period. Low rent revenue increased from 2004 to 2005 due to higher operating subsidy provided by HUD and greater investment income.

The decrease in Accounts/Notes Receivable is due to taking a credit of \$35,486 for the PILOT Taxes overpaid in the 4 years preceding 2004 thus shown as a receivable and the credit was used in full in 2005.

The increase in current liabilities is due to the following: (1) a \$28,780 increase in accounts payable at year-end; (2) a \$3,388 increase in employee compensation payable; and, (3) a \$354,804 increase in HUD PHA Programs payable.

The decrease in Non-Current Liabilities is due to the \$55,000 annual bond payment on the Series 1997A bonds.

ANALYSIS OF STATEMENT OF COMBINING INCOME STATEMENT
PRIOR AND CURRENT FISCAL YEAR:

YEAR ENDING SEPTEMBER 30

	<u>2004</u>	<u>2005</u>
REVENUE		
Tenant Revenue	\$ 1,557,048	\$ 1,610,349
HUD operating & capital grants	3,267,838	3,362,009
Investment Income	126,130	51,729
Loss on Sale of Fixed Assets	(120,065)	(96,748)
Other Revenue	<u>115,034</u>	<u>123,856</u>
TOTAL REVENUE	\$ <u>4,945,985</u>	\$ <u>5,051,195</u>
EXPENSES		
Administrative Expenses	\$ 952,604	\$ 868,223
Tenant Services	139,311	136,101
Utilities	342,611	356,669
Ordinary Maintenance	626,338	682,960
General Expenses	363,619	363,536
Extraordinary maintenance	8,086	10,683
Casualty losses - non-capitalized	(4,478)	22,464
Housing Assistance payments	1,803,838	2,020,583
Depreciation	<u>750,461</u>	<u>715,618</u>
TOTAL EXPENSES	\$ <u>4,982,390</u>	\$ <u>5,176,837</u>
EXCESS OF REVENUE OVER		
EXPENSES	\$ <u>(36,405)</u>	\$ <u>(125,642)</u>

The decrease in total revenue is due to vacancies in the Home Ownership program and the \$23,317 addition to the loss on Sale of Fixed Assets.

The Section 8 Voucher HAP expense decreased by \$196,776 from 2004 to 2005. There were 190 fewer units assisted during 2005 (4,523) from 2004 (4,713). This may account for approximately a third of the decrease.

Please note that the total expenses went down by \$194,447 and the Net loss was decreased by \$89,237 in 2005.

General Fund Budgetary Highlights

The Commission approved an operating budget on June 23, 2004 for fiscal year ending September 30, 2005 and the budget was revised on September 28, 2005 to more closely reflect actual income and expenses.

An increase occurred in the amount of residual receipts anticipated in the homeownership program. Due to the economy, a significant portion of the residents experienced reductions in income that resulted in less than anticipated rental revenue. This program does not receive operating subsidy. The program ended with residual receipts of \$21,537.

Entity Wide Capital Assets

At the close of the fiscal year, the Commission had \$24,191,892 in capital assets with accumulated depreciation of \$10,746,506. This represents a \$324,360 INCREASE over 2004. Summary of Activity: Completed Capital Fund programs capitalized assets transferred to low rent program. Capital fund program 501-01 was completed moving \$632,064 from CWIP to Land and Buildings.

Capital fund program 501-02 was completed moving \$545,101 from CWIP to Land and Buildings. Significant improvements were undertaken in ongoing capital fund programs 501-03, 502-03 (completed) and 501-04. Purchased new copy machine during the year. Sold the Plymouth Voyager in August 2005. Sold three Turnkey III units from Project 7 inventory.

Commission's Position

The Commission's financial position remains strong. There is concern regarding new senior housing being developed in the Battle Creek area, particularly 45 new low income senior housing apartments being financed by HUD and the Community Hospital rehabbing new senior units. The area is reaching saturation point as evidenced by some low income housing tax credit developments built as recently as 5-7 years ago now experiencing occupancy problems, yet developers continue to build additional properties within the metropolitan area.

Some of the homes owned by the Battle Creek Housing Commission that are located in neighborhoods experiencing social challenges are more difficult to occupy causing longer periods of vacancy than previously experienced.

Cost savings and staff efficiencies with new management company in place of Executive Director.

The Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
Battle Creek Housing Commission
250 Champion Street
Battle Creek, Michigan 49017

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Battle Creek Housing Commission as of and for the year ended September 30, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit. I did not audit the financial statements of the Battle Creek Housing Corporation (Component Unit), whose statements reflect total assets of \$ 1,657,124 as of December 31, 2004, and total revenues of \$ 678,270 for the year then ended. Those statements were audited by other auditors whose report has been furnished to me, and in my opinion, insofar as it relates to the amounts included for the Component Unit, is based solely on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Battle Creek Housing Commission as of September 30, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

December 2, 2005

BATTLE CREEK HOUSING COMMISSION
Statement of Net Assets
September 30, 2005

ASSETS

C-3030

CURRENT ASSETS

Cash	\$ 3,648,594	
Cash- Restricted	1,081,890	
Accounts Receivable (net of allowance for doubtful account \$ 18,707)	25,191	
Accounts Receivable- Other	53,600	
Investments	1,769,405	
Investments-Restricted	256,319	
Prepaid Expenses	<u>58,932</u>	
Total Current Assets		\$ 6,893,931

NON CURRENT ASSETS

Land	\$ 822,315	
Buildings	22,460,023	
Furniture, Equipment- Dwellings	56,452	
Furniture, Equipment- Administrative	402,548	
Construction in Progress	450,554	
Accumulated Depreciation	<u>(10,746,506)</u>	
Total Non Current Assets		13,445,386

OTHER ASSETS

Notes Receivable-non current	\$ 2,873	
Other Assets	<u>72,470</u>	
Total Other Assets		<u>75,343</u>

<u>TOTAL ASSETS</u>		<u>\$ 20,414,660</u>
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BATTLE CREEK HOUSING COMMISSION
Statement of Net Assets
September 30, 2005

LIABILITIES

C-3030

CURRENT LIABILITIES

Accounts Payable	\$ 83,300	
Accrued Liabilities	50,880	
Accounts Payable-HUD	354,804	
Tenants Security Deposit	73,910	
Accounts Payable- Other Governments	76,145	
Deferred Revenue	19,326	
Current Portion Long Term Debt	55,000	
Other Current Liabilities	<u>19,342</u>	
<u>Total Current Liabilities</u>		\$ 732,707

NONCURRENT LIABILITIES

Housing Revenue Bonds	\$ 990,000	
Less: current portion above	<u>55,000</u>	
	\$ 935,000	
Homeownership Trust Funds	427,455	
Compensated Absences-noncurrent	<u>10,387</u>	
<u>Total Noncurrent Liabilities</u>		<u>1,372,842</u>
<u>Total Liabilities</u>		\$ <u>2,105,549</u>

NET ASSETS:

Investment in Fixed Assets, net of related Debt	\$ 12,455,386	
Restricted Net Assets	1,338,209	
Unrestricted Net Assets	<u>4,515,516</u>	
<u>Total Net Assets</u>		<u>18,309,111</u>

The Accompanying Notes are an Integral part of the Financial Statements

BATTLE CREEK HOUSING COMMISSION
Combined Statement of Income and Expenses
For the year ended September 30, 2005

REVENUE

Tenant Rental Revenue	\$ 1,545,212	
Tenant Revenue- Other	11,836	
HUD Grants	3,267,838	
Interest Income	126,130	
Other Income	<u>115,034</u>	
<u>Total Revenue</u>		\$ 5,066,050

EXPENSES

Administrative	\$ 952,604	
Tenant Services	139,311	
Utility Expenses	342,611	
Ordinary Maintenance	626,338	
General Expenses	<u>331,640</u>	
<u>Total Expenses</u>		<u>2,392,504</u>
<u>Excess (Deficiency) of Revenues over Expenses</u>		\$ 2,673,546

OTHER SOURCES & (USES)

Gain (Loss) on the Sale of Fixed Assets	\$ (120,065)	
Extraordinary Maintenance	(8,086)	
Casualty Gains (Losses)	4,478	
Interest Expense	(31,979)	
Housing Assistance Payments	(1,803,838)	
Depreciation Expenses	<u>(750,461)</u>	
<u>Total Other Sources (Uses)</u>		<u>(2,709,951)</u>
<u>Change in Net Assets</u>		\$ <u>(36,405)</u>
Total Net Assets- Beginning		18,343,653
Prior Period Adjustment: Correction of Prior Years Accruals		<u>1,863</u>
Adjusted Beginning Balance		\$ <u>18,345,516</u>
Total Net Assets- Ending		\$ <u>18,309,111</u>

The Accompanying Notes are an Integral part of the Financial Statements

BATTLE CREEK HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended September 30, 2005

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>Business Type Activities</u>
Receipts from Customers	\$ 1,551,758
Payments to Suppliers	(4,557,769)
Payments to Employees	(611,795)
HUD Grants	3,267,838
Other Receipts (Payments)	<u>241,164</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(108,804)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchases of Capital Assets	\$ (337,954)
Classification of Restricted Cash	(1,081,890)
Principal paid on Debt	<u>(55,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(1,474,844)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,583,648)
Unrestricted Cash & Cash Equivalents-Beginning	<u>5,232,242</u>
Unrestricted Cash & Cash Equivalents-Ending	\$ <u>3,648,594</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Net Profit or (Loss)	\$ (36,405)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	750,461
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	40,003
Investments	(886,762)
Prepaid Expenses	(2,041)
Other Assets	3,985
Changes in Liabilities Increase (Decrease):	
Accounts Payable	28,780
Accrued Liabilities	(23,950)
Security Deposits	(7,548)
Accounts Payable- Other Governments	33,001
Deferred Revenue	(2,138)
Other Liabilities	<u>(3,190)</u>
Net Cash Provided by Operating Activities	\$ <u>(108,804)</u>

The Accompanying Notes are an Integral part of the Financial Statements

BATTLE CREEK HOUSING COMMISSION
Notes to Financial Statements
September 30, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Battle Creek Housing Commission, Battle Creek, Michigan, (Commission) was created by ordinance of the city of Battle Creek. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 35	Low rent program	320	units
	Homeownership	74	units
	Housing Choice Voucher	515	units
MI 35	New Construction	125	units
Component Unit		132	units
Business Activity Account		17	units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. The Financial Data Schedule lists all the programs of the Reporting Entity including a component unit.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Notes to Financial Statements- continued

Inventory

Inventory is valued at the lower of cost (First in, First out) or market. Inventory consist of expendable supplies held for consumption. The cost of supplies is recorded as an expenditure at the time the inventory is consumed.

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 202,668
Petty Cash	100
Savings Accounts	<u>3,445,826</u>
Financial Statement Total	<u>\$ 3,648,594</u>

Notes to Financial Statements- continued

Cash-Restricted:

Money Market Fund	\$ <u>1,081,890</u>
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Investments:

Savings Certificates	\$ <u>1,769,405</u>
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Investments-Restricted:

Revenue & Operating Fund	\$ 266
Bond Fund	61,676
Tax & Insurance Fund	100,488
Repair & Replacement Fund	12,165
Investment Fund	<u>81,724</u>

Financial Statement Total	\$ <u>256,319</u>
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Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories				
	1	2	3	Carrying Amount	Market Value
Cash:					
Checking A/C's	\$ 202,668	\$	\$	\$ 202,668	\$ 202,668
Petty Cash	100			100	100
Money Market	<u>3,445,826</u>			<u>3,445,826</u>	<u>3445,826</u>
Total Cash	<u>\$ 3,648,594</u>	\$	\$	<u>\$ 3,648,594</u>	<u>\$3648,594</u>

Cash- Restricted:

Money Market	\$ <u>1,081,890</u>	\$	\$	\$ <u>1,081,890</u>	\$ <u>1081,890</u>
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Notes to Financial Statements- continued

	Categories				
	1	2	3	Carrying Amount	Market Value
Investments:					
C/D's	\$ 1,769,405	\$	\$	\$ 1,769,405	\$1769,405
Investments-Restricted:					
Money Market	\$ 256,319	\$	\$	\$ 256,319	\$ 256,319

Note 3: Accounts Receivable-Other

Accounts receivable other consists of the following:

Accounts Receivable- HUD	\$ 42,971
Accrued Interest Receivable	1,294
Accounts Receivable- Miscellaneous	<u>9,335</u>
Financial Statement Total	\$ <u>53,600</u>

Note 4: Prepaid Expenses

Prepaid expenses consists of the following:

Prepaid Insurance	\$ 43,131
Inventories	<u>15,801</u>
Financial Statement Total	\$ <u>58,932</u>

Note 5: Fixed Asset Analysis

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 657,545	\$ 164,770	\$	\$ 822,315
Buildings	21,513,535	946,488		22,460,023
Furniture & Equipment-Dwellings	65,054		8,602	56,452
Furniture & Equipment-Admin	407,540		4,992	402,548
Construction in Progress	<u>1,223,858</u>	<u> </u>	<u>773,304</u>	<u>450,554</u>
	\$23,867,532	\$1,111,258	\$ 786,898	\$24,191,892
Less Accumulated Depreciation	<u>10,025,319</u>	<u>750,461</u>	<u>29,274</u>	<u>10,746,506</u>
	\$ <u>13,842,213</u>	\$ <u>360,797</u>	\$ <u>757,624</u>	\$ <u>13,445,386</u>

Notes to Financial Statements, continued

Note 6: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Wages & Benefits	\$ 48,277
Compensated Absences-current	<u>2,603</u>
Financial Statement Total	\$ <u>50,880</u>

Note 7: Accounts Payable- Other Governments

Accounts Payable other governments consists of the following:

Accounts Payable- Battle Creek	\$ 76,145
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Note 8: Long Term Debt

The Commission's Component Unit, the Battle Creek Housing Corporation (Corporation) issued housing revenue bonds, Series 1997A, in 1997 for \$ 1,375,000 to fund the purchase of rental property and equipment. The bonds are payable in annual installments of \$ 55,000 through February 2025. Interest is due monthly at a fixed rate of 3.1%

The following represents the principal obligations over the next five years:

December 31, 2005	\$ 55,000
December 31, 2006	55,000
December 31, 2007	55,000
December 31, 2008	55,000
December 31, 2009	55,000
Thereafter	660,000

Due to the unique regulatory constraints of the debt it is impracticable to estimate the fair value of debt.

Note 9 :Restricted Net Assets

Restricted Net Assets, Low Rent Program consist of proceeds from the sale of Turnkey III homes; the ultimate disposition of those proceeds will result from instruction from the funding agency, HUD. Restricted Net Assets Component Unit, consists of required Principle, Interest, Repair & Replacement, and Tax Escrow accounts; these accounts are required as a part of the Bond Indenture established by the lending institution.

Notes to Financial Statements- continued

Note 10:Retirement.

The Battle Creek Housing Commission contributes to the Municipal Employees Retirement System (MERS), a multi-employer defined benefit pension plan administered by the State of Michigan, through the City of Battle Creek. Details concerning the plan are available in the annual report of MERS. This plan covers all regular, full-time employees of the Housing Commission. Other statistical and historical data required by GASB Statement No. 5 is not included herein because data for the Housing Commission is not available from MERS.

The Commission pays the City of Battle Creek to administer all payroll and benefits for the Commission; the employees are not City employees, however, all statistical data of the Commission employees is included in the reporting of the City, therefore, no Commission statistical data is available.

Note 11:Component Unit

In 1997 the Battle Creek Housing Commission wanted to obtain and operate a 132 unit low to moderately low income complex; however, at the time the Commission was prohibited from owning property, therefore the Commission formed a non profit, 501 (c)(3) organization to act on its behalf securing the financing and acquisition of the complex. In addition, the city of Battle Creek pledged its full faith and credit behind the Housing Bonds. The Component Unit is managed and audited by a separate group; the results of the operations are reported as a blended unit in the combining balance sheet and combining income statement as a component unit of the Battle Creek Housing Commission. The Component Unit has a December 31, year end.

Note 12:Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 40,528,552
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

Notes to Financial Statements- continued

Note 13:Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 14:Combining Financial Data Schedules

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 15:Management Contract

The Executive Director retired during the fiscal year; the Commission elected to hire a management company to act in the capacity of executive director rather than hire a replacement. The Contract officially began on May 1, 2005; however, the arrangement is under review by the funding agency- HUD. Questions have been raised concerning the procurement of the contract and whether the retiring Director has/had any interest in the contract while employed by the management company; the Commission believes the contract was entered into following the existing procurement policy and that no violations of the Annual Contributions Contract has occurred as a result of hiring the management company.

Battle Creek Housing Commission

30-Sep-05

MI-035

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Business Activity Account	New Construc-tion Section 8	Compon-ent Unit	Capital Projects Funds 14.872	TOTAL
Line Item #								
	REVENUE:							
703	Net tenant rental revenue	912,678		5,400		627,134		1,545,212
704	Tenant revenue - other	11,836						11,836
705	Total tenant revenue	924,514	-	5,400	-	627,134	-	1,557,048
706	HUD PHA grants	538,355	1,573,827	-	503,989		651,667	3,267,838
708	Other government grants							-
711	Investment income - unrestricted	81,694	8,080	34,573		1,783		126,130
712	Mortgage interest income	-						-
714	Fraud recovery		-	-				-
715	Other revenue	19,612	1,198	44,871		49,353		115,034
716	Gain or loss on the sale of fixed assets	(120,065)						(120,065)
720	Investment income - restricted					-		-
700	TOTAL REVENUE	1,444,110	1,583,105	84,844	503,989	678,270	651,667	4,945,985
	EXPENSES:							
	Administrative							
911	Administrative salaries	139,619	122,142	-		133,514	40,982	436,257
912	Auditing fees	4,000	1,500	-		21,462		26,962
913	Outside management fees	52,248	31,302	-	35,978	33,326		152,854
914	Compensated absences	(2,263)	(702)	-				(2,965)
915	Employee benefit contributions- administrative	78,108	68,115	-		-	20,919	167,142
916	Other operating- administrative	85,285	7,209	32,756		31,891	15,213	172,354
	Tenant services							
921	Tenant services - salaries	13,467						13,467
922	Relocation costs							-
923	Employee benefit contributions- tenant services	7,495						7,495
924	Tenant services - other	38,693		6,784			72,872	118,349
	Utilities							
931	Water	71,989				40,471		112,460
932	Electricity	119,946				51,805		171,751
933	Gas	58,400						58,400
934	Fuel							-
935	Labor							-
937	Employee benefit contributions- utilities							-
938	Other utilities expense	-						-
	Ordinary maintenance & operation							
941	Ordinary maintenance and operations - labor	162,071						162,071
942	Ordinary maintenance and operations - materials & other	43,965	329			35,244		79,538
943	Ordinary maintenance and operations - contract costs	188,757	1,299			100,793		290,849
945	Employee benefit contributions- ordinary maintenance	93,880						93,880
		-						-
	Protective services							
951	Protective services - labor							-

Battle Creek Housing Commission

30-Sep-05

MI-035

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Business Activity Account	New Construc- tion Section 8	Component Unit	Capital Projects Funds 14.872	TOTAL
Line Item #								
	ASSETS:							
	CURRENT ASSETS:							
	Cash:							
111	Cash - unrestricted	3,396,776	-	233,783		18,035		3,648,594
112	Cash - restricted - modernization and development							-
113	Cash - other restricted	1,081,890						1,081,890
114	Cash - tenant security deposits	-						-
100	Total cash	4,478,666	-	233,783	-	18,035	-	4,730,484
	Accounts and notes receivables:							
121	Accounts receivable - PHA projects							-
122	Accounts receivable - HUD other projects	-			-		42,971	42,971
124	Accounts receivable - other government	-						-
125	Accounts receivable - miscellaneous	154				9,181		9,335
126	Accounts receivable- tenants - dwelling rents	39,743		4,155		-		43,898
126.1	Allowance for doubtful accounts - dwelling rents	(18,707)						(18,707)
126.2	Allowance for doubtful accounts - other							-
127	Notes and mortgages receivable- current					-		-
128	Fraud recovery							-
128.1	Allowance for doubtful accounts - fraud							-
129	Accrued interest receivable	1,294	-					1,294
120	Total receivables, net of allowances for doubtful accounts	22,484	-	4,155	-	9,181	42,971	78,791
	Current investments							-
131	Investments - unrestricted	410,734	-	1,358,671		-		1,769,405
132	Investments - restricted					256,319		256,319
142	Prepaid expenses and other assets	39,708				3,423		43,131
143	Inventories	15,801						15,801
143.1	Allowance for obsolete inventories	-						-
144	Interprogram - due from	-	580,111	-	27,939			608,050
146	Amounts to be provided							-
150	TOTAL CURRENT ASSETS	4,967,393	580,111	1,596,609	27,939	286,958	42,971	7,501,981
	NONCURRENT ASSETS:							
	Fixed assets:							
161	Land	707,443	-	49,872	-	65,000		822,315
162	Buildings	20,880,247				1,467,500	112,276	22,460,023
163	Furniture, equipment & machinery - dwellings	-	-			56,452		56,452
164	Furniture, equipment & machinery - administration	298,984	24,628	70,335		8,601	-	402,548
165	Leasehold improvements						-	-
167	Construction in Progress						450,554	450,554
166	Accumulated depreciation	(10,383,256)	(10,672)	(47,041)		(302,730)	(2,807)	(10,746,506)
160	Total fixed assets, net of accumulated depreciation	11,503,418	13,956	73,166	-	1,294,823	560,023	13,445,386
171	Notes and mortgages receivable - non-current					2,873		2,873
172	Notes and mortgages receivable-non-current-past due							-
174	Other assets					72,470		72,470
175	Undistributed debits							-
176	Investment in joint ventures							-
180	TOTAL NONCURRENT ASSETS	11,503,418	13,956	73,166	-	1,370,166	560,023	13,520,729
190	TOTAL ASSETS	16,470,811	594,067	1,669,775	27,939	1,657,124	602,994	21,022,710

	LIABILITIES AND EQUITY:						
	LIABILITIES:						
	CURRENT LIABILITIES	-					
311	Bank overdraft	-					-
312	Accounts payable ≤ 90 days	40,128	8,003	0	31,089	4,080	83,300
313	Accounts payable > 90 days past due						-
321	Accrued wage/payroll taxes payable	33,875	14,402				48,277
322	Accrued compensated absences	1,987	616				2,603
324	Accrued contingency liability						-
325	Accrued interest payable						-
331	Accounts payable - HUD PHA programs		327,815	-	26,989		354,804
332	Accounts Payable - PHA Projects						
333	Accounts payable - other government	24,133	-	52,012			76,145
341	Tenant security deposits	52,653		3,780	-	17,477	73,910
342	Deferred revenues	17,543				1,783	19,326
343	Current portion of Long-Term debt - capital projects					55,000	55,000
344	Current portion of Long-Term debt - operating borrowings						-
345	Other current liabilities	3,130				16,212	19,342
346	Accrued liabilities - other	-					-
347	Inter-program - due to	569,159	-		-	38,891	608,050
310	TOTAL CURRENT LIABILITIES	742,608	350,836	55,792	26,989	121,561	1,340,757
	NONCURRENT LIABILITIES:						
351	Long-term debt, net of current- capital projects					935,000	935,000
352	Long-term debt, net of current- operating borrowings						-
353	Noncurrent liabilities- other	427,455					427,455
354	Accrued Compensated Absences-non current	7,929	2,458				10,387
350	TOTAL NONCURRENT LIABILITIES	435,384	2,458	-	-	935,000	1,372,842
300	TOTAL LIABILITIES	1,177,992	353,294	55,792	26,989	1,056,561	2,713,599
	EQUITY:						
501	Investment in general fixed assets						-
	Contributed Capital:						
502	Project notes (HUD)						-
503	Long-term debt - HUD guaranteed						-
504	Net HUD PHA contributions	-	-	-			-
505	Other HUD contributions	-					-
507	Other contributions	-					-
508	Total contributed capital	-	-	-	-	-	-
508.1	Investment in Fixed Assets net of related debt	11,503,418	13,956	73,166	-	304,823	12,455,386
	Reserved fund balance:						-
509	Reserved for operating activities						-
510	Reserved for capital activities						-
511	Total reserved fund balance	-	-	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-	-	-
512.1	Unrestricted Net Assets	2,707,511	226,817	1,540,817	950	39,421	4,515,516
512.2	Restricted Net Assets	1,081,890	-	-	-	256,319	1,338,209
513	TOTAL EQUITY	15,292,819	240,773	1,613,983	950	600,563	18,309,111
600	TOTAL LIABILITIES AND EQUITY	16,470,811	594,067	1,669,775	27,939	1,657,124	21,022,710

Proof of concept

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BATTLE CREEK HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3030 Operating Subsidies	\$ <u>538,355</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3030 Section 8 Housing Choice Vouchers	\$ <u>1,573,827</u>
* <u>CFDA 14.872 Capital Projects Grants</u>	
C-3030 Capital Projects Funds	\$ <u>651,667</u>
* <u>CFDA 14.182 Section 8 New Construction</u>	
C-3030 New Construction	\$ <u>503,989</u>
	\$ <u>3,367,838</u>

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 40,528,552
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

*Connotes Major Program Category

BATTLE CREEK HOUSING COMMISSION
Status of Prior Audit Findings
September 30, 2005

The prior audit of the Battle Creek Housing Commission for the period ended September 30, 2004, did not contain any audit findings.

BATTLE CREEK HOUSING COMMISSION
Report on Compliance Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133
September 30, 2005

Compliance

I have audited the compliance of Battle Creek Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. Battle Creek Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Battle Creek Housing Commission's management. My responsibility is to express an opinion on Battle Creek Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Battle Creek Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Battle Creek Housing Commission's compliance with those requirements.

In my opinion, except for the following findings, Battle Creek Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Credit Card Policy	05-1	Procurement
Incorrect Imputed Interest Rate	05-2	Eligibility

Internal Control over Compliance

The management of Battle Creek Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Battle Creek Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

December 2, 2005

BATTLE CREEK HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
September 30, 2005

I have audited the financial statements of Battle Creek Housing Commission, Battle Creek, Michigan, as of and for the year ended September 30, 2005, and have issued my report thereon dated December 2, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Battle Creek Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: finding 05-1 and 05-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Battle Creek Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Battle Creek Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

December 2, 2005

BATTLE CREEK HOUSING COMMISSION
Schedule of Findings and Questioned Cost
September 30, 2005

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Housing Assistance Program	X	
Capital Projects	X	
Section 8 New Construction	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ <u>X</u> No
Reportable condition(s) noted	_____ Yes	_____ <u>X</u> No
Non Compliance material to financial statements noted	_____ Yes	_____ <u>X</u> No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted	_____ Yes	_____ <u>X</u> No
Reportable condition(s) noted	_____ <u>X</u> Yes	_____ No
Non Compliance material to financial statements noted	_____ Yes	_____ <u>X</u> No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	Yes	None	05-1, 05-2
Section 8 Housing Choice	Yes	None	N/A
Section 8 New Construction	Yes	None	N/A
Capital Projects Funds	Yes	None	N/A

BATTLE CREEK HOUSING COMMISSION
Schedule of Findings & Questioned Cost
September 30, 2005

The following findings of the Battle Creek Housing Commission, for the year ended September 30, 2005, were discussed with the Project Manager, Ms. Carol Budzynski, in an exit interview conducted December 2, 2005:

Finding 05-1: Credit Card Policy

The State of Michigan requires Governmental Entities that have a credit card to have a credit card policy; required by P.A. 266 of 1995 (MCL 129.241).

The Commission has a credit card and as of the date of this audit did not have a formal policy.

Recommendation

The Commission is required to follow Federal, State and Local laws and regulations; in the case of over-lapping provisions, the most restrictive takes precedence.

The State requires a written credit card policy for all governmental units which use a credit card. The policy should include at a minimum any restrictions concerning the use of the card, who is authorized to use the card, reconciliation of credit card purchases, and remedies for non compliance.

I recommend the Commission write and adopt a formal credit card policy.

Reply

The Commission will write and adopt a formal credit card policy in fiscal year 2006.

Finding 5-2: Wrong Imputed Interest on HUD form 50058

The Commission uses electronic software to complete initial certifications and re-examinations. The system has a universal imputed interest rate; however, has not changed the rate for several years; therefore, was using the wrong rate.

Recommendation

Imputed interest is used for asset values in excess of \$ 5,000 on the HUD form 50058; the imputed interest only affects a small percentage of tenants, however, for those that are affected, the incorrect rate could result in the wrong rent computation.

I recommend the Commission obtain the correct rate from HUD and change the software to reflect the correct rate.

Reply

The Commission has obtained the correct rate from HUD and changed the software to reflect this rate as of 12/01/05 for all computations going forward.